

Summary of HB 377, as Amended  
 Teachers' Retirement System  
 Funding the Shortfall  
 Creates Two-tiered TRS System

Exhibit No. 1  
 Date 4-12-13  
 Bill No. HB 377

	Tier One (current members)	Tier Two - (new members)
Employee (EE) normal contribution	7.15% - no change	8.15% - <b>new</b>
EE supplemental contribution - decreased if 90% funded and amortization is less than 15 yrs - increased if 80% or less funded and amortization is more than 20 years	1% - <b>new</b> - once decreased, may be adjusted by board - not to exceed 1%	On or after Jan. 1, 2023: new - board may impose - board may adjust - may not exceed 0.5% - must be matched by ER or state
Employer (ER) contribution (all sources)	9.96% - no change	9.96% - no change
ER supplemental contribution -to decrease/increase by same triggers as EE, but to decrease only after GABA has been returned to its maximum.	1% - <b>new</b>	1% - <b>new</b>
Benefit multiplier	1.67% - no change	2% with 30 yrs or more of service and at least age 60 - <b>new</b>
Average final compensation	3 highest consecutive years - no change	5 highest consecutive years - <b>new</b>
Normal retirement eligibility	5 yrs and age 60 or 25 yrs service regardless of age - no change	5 yrs and age 60 or 30 yrs of service and at least age 55 - <b>new</b>
Early retirement eligibility	5 yrs and age 50 - no change	5 yr and age 55 - <b>new</b>

Death benefit	Beneficiary may receive normal retirement benefit – no change	Beneficiary may receive normal retirement or early retirement benefit only if member dies within one year of active membership – <b>new</b> (lower benefit, cost saving)
Disability retirement eligibility – benefit is greater of: – 1.67% x AFC x yrs of service – minimum 1/4th AFC	Eligible if determined disabled – no change	Eligible if determined disabled and only if not eligible for service retirement – <b>new</b> (lower benefit, cost-saving)
GABA	If TRS is less than 90% funded GABA reduced to 0.5%. If TRS more than 90% funded and GABA will not reduce to less than 85% funded, GABA to be between 0.5% and 1.5% as set by Board– <b>new</b>	1.5% GABA is reduced 0.1% for each year amortization period is over 25 yrs – <b>new</b>

### **Provides Additional Funding**

1. School district retirement fund reserves cap decreased from 35% to 20% with excess paid to TRS – Sections 15 and 18 of the bill, estimated \$14.7 million one-time-only
2. \$25 million each fiscal year from public school fund guarantee account – amounts to be transferred monthly prior to distribution to the school districts through school equalization aid – amounts are statutorily appropriated – Section 19 of the bill
3. HB 637 proposes that lottery funds and general fund money would replace funds from guarantee account.